

CITY OF MELBOURNE

**Independent Accountants' Report on
Applying Agreed-Upon Procedures**

**For the period
July 1, 2013 through June 30, 2014**

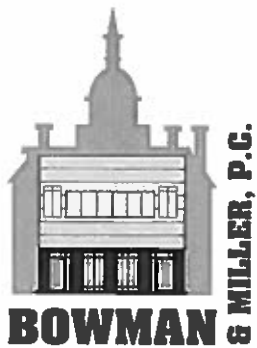
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CITY OF MELBOURNE

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(Before January 2014)</u>		
David Gibbs	Mayor	Jan 2014
John White	Mayor Pro Tem	Jan 2014
Tom Eckhart	Council Member	Jan 2014
Patty Russo	Council Member	Jan 2016
Stephanie Smith	Council Member	Jan 2016
Jason Curl	Council Member	Jan 2017
Mary Pothast	City Administrator/Clerk	Indefinite
Sharon Greer	City Attorney	Indefinite
<u>(After January 2014)</u>		
John White	Mayor	Jan 2018
Patty Russo	Mayor Pro Tem	Jan 2016
Stephanie Smith	Council Member	Jan 2016
Jason Curl	Council Member	Jan 2017
Vickie Stahl	Council Member	Jan 2018
Mike Fuller	Council Member	Jan 2018
Mary Pothast	City Administrator/Clerk	Indefinite
Sharon Greer	City Attorney	Indefinite



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and
Members of the City Council:

We have performed an agreed-upon procedures engagement of the City of Melbourne pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide certain minimum oversight of Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Melbourne for the period July 1, 2013 through June 30, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2013 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.

8. We reviewed compliance with Chapters 12C.2, 12B.10B, and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384, and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Melbourne, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Melbourne, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Melbourne and other parties to whom the City of Melbourne may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Melbourne during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller, P.C.

Marshalltown, Iowa
November 14, 2014

Detailed Recommendations

CITY OF MELBOURNE
Detailed Recommendations
For the period July 1, 2013 through June 30, 2014

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – collecting, recording, and reconciling.
- (2) Payroll – recordkeeping, preparation and distribution.
- (3) Utilities – billing, collecting, recording, and depositing.
- (4) Financial reporting – preparing and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its internal control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations and financial reporting should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Bank Reconciliations – The cash and investment balances in the City’s general ledger were not reconciled to the bank and investment account balances throughout the year. For the two months reviewed, bank and book balances did not properly reconcile.

Recommendation – To improve financial accountability and control, the City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly including having an independent person review the reconciliations and document the review by signing or initialing and dating the monthly reconciliation. Variances, if any, should be reviewed and resolved on a timely basis.

- (C) Investments – An accounting record/register is not maintained for each investment.

Recommendation – An accounting record/register for each investment which includes the cost, description, date purchased, interest rate, maturity date and identifying number should be maintained.

- (D) Financial Reporting – The City’s general ledger cash and investment account balances do not equal the City’s general ledger fund balances for several funds.

Recommendation – The City should establish procedures to ensure their general ledger cash and investment balances for each fund equal their fund balances. For variances that arise, the City should work with tech support to resolve these variances in the software on a timely basis.

- (E) Council Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings to be published within fifteen days of the meeting. None of the four monthly meetings reviewed for the City were published within fifteen days.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes within 15 days.

CITY OF MELBOURNE

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

- (F) Transfers – Supporting documentation was not maintained for interfund transfers. Additionally, transfers made were not approved.

Recommendation – Supporting documentation should be maintained which substantiates all interfund transfers, and all interfund transfers should be evidenced by approval in the minutes or budget, as applicable.

- (G) Payroll – Timesheets did not include evidence of review by a supervisor. Also, there were no timesheets during the year for the salaried employees.

Recommendation – To ensure accountability, all time sheets should be reviewed and approved by supervisory personnel prior to processing payroll – evidenced by the signature or initials of the reviewer and date of review. Additionally, to improve record keeping and control, all employees should fill out time cards to track hours worked and comp time.

- (H) Reconciliation of Utility Billings, Collections, and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not prepared monthly.

Recommendation – A listing of delinquent accounts should be prepared monthly. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The review should be documented by the signature or initials of the reviewer and the date of the review.

- (I) Financial Condition – At June 30, 2014, the City had deficit balances in the following funds:

Fund	Amount
Special Revenue:	
Road Use Tax	\$ 35,806
Enterprise:	
Water	28,631
Sewer	122,210

Recommendation – The City should take immediate steps to reduce and eventually eliminate these deficits to return the funds to a sound financial position.

- (J) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the capital projects function. Chapter 384.20 of the Code of Iowa states, in part “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

CITY OF MELBOURNE
Detailed Recommendations
For the period July 1, 2013 through June 30, 2014

- (K) Sewer Revenue Notes – The City has two sewer revenue notes totaling \$650,000 at June 30, 2014. The resolutions for the sewer revenue notes provide in part, that the City maintain user rates at a level to ensure net receipts are equal to at least 110% of the principal and interest due in that year. Since the City's Enterprise, Sewer Fund is in a deficit balance, the City has not maintained sufficient user rates.

Recommendation – The City should adjust user rates or reduce other expenses to ensure net receipts equal at least 110% of the principal and interest due each year.

CITY OF MELBOURNE

Staff

This audit was performed by:

**Bowman and Miller, P.C.
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Marshalltown, IA 50158**

Personnel:

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